



On track for more deals in 2024

Weebit Nano (ASX:WBT) published its FY24 annual report last week. The main thing that stood out for us was the A\$1m in revenues from license deals.

WBT generates A\$1m in revenues

The company already generated its maiden revenues to the tune of A\$457k in 2Q24 (December quarter) and recorded a total of A\$1m for FY24. We believe this revenue has largely been derived from license fees as the company hit technology transfer milestones with SkyWater and DB HiTek. We expect a limited amount has been derived from non-recurring engineering fees. We expect license fees from SkyWater and DB HiTek to keep coming in as Weebit Nano progresses with technology transfers and qualifications in the near and medium term.

A\$63m in the bank

When it published its 4C at the end of July, Weebit Nano also reported A\$62.8m in cash, which was somewhat higher than we were anticipating. CEO Hanoch indicated that the company has remained very prudent in 2HY24 in order to conserve cash. The current cash position gives the company more than 2 years of financial runway at the current cash burn rate.

More commercial deals in 2024

CEO Hanoch has also indicated that the company hopes to sign more commercial deals in calendar year 2024, i.e. within the next 4 months. The company is currently in discussions with more than a dozen IDM's, foundries and product companies, and management expects 1 or 2 of those deals to come through soon. Of course, the timing of when new deals come through is near-impossible to predict, but we believe investors need to focus on the breadth of conversations Weebit Nano is currently having with prospects across the semiconductor spectrum.

Valuation of A\$9.56 per share reiterated

We reiterate our valuation of Weebit Nano of A\$9.56 per share outlined in our [June 2023 report](#). You can watch the interview we recorded with CEO Hanoch on [28 August 2024 HERE](#). Please see details on our valuation and key risks at the end of this note.

Share Price: A\$2.04

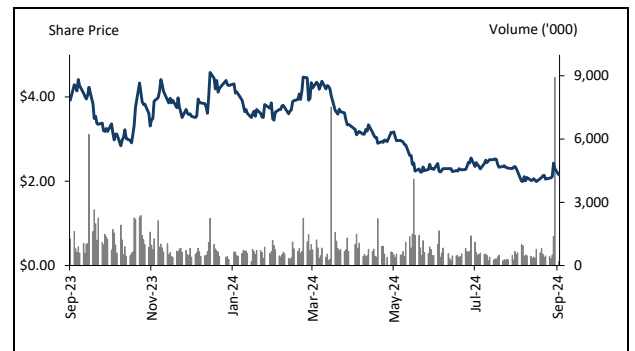
ASX: WBT

Sector: Semiconductor Equipment
3 September 2024

Market cap. (A\$m)	385.5
# shares outstanding (m)	189.0
# shares fully diluted (m)	209.9
Market cap ful. dil. (A\$m)	428.2
Free float	90.0%
12 months high/low	1.99 / 4.58
Average daily volume (x1,000)	875.3
Website	www.weebit-nano.com

Source: Company, Pitt Street Research

Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon

Valuation metrics	
Valuation per share (A\$)	9.56

Source: Pitt Street Research

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Disclosure: Pitt Street Research directors own shares in Weebit Nano.



A\$1m in revenues in FY24

Weebit Nano published its annual report for FY24 last week. Following the company's maiden revenues of A\$457k in 2Q24 (December quarter), Weebit Nano recorded additional revenues in 4Q24 (June quarter), totalling A\$1m for the whole of FY24.

We believe the vast majority of these revenues are license fees from SkyWater and DB Hitek, Weebit Nano's first two foundry customers. A small part of the revenues is likely derived from non-recurring engineering fees, which are essentially reimbursements to Weebit Nano for customisation work for individual customers.

Given the rate at which Weebit Nano has been progressing with DB Hitek since the commercial deal was signed last year, we expect additional license fees to come in over the next twelve months as the company hits its milestones in terms of technology transfer and qualification. We are not anticipating any royalty income from the DB Hitek relationship in 2025 just yet.

Obviously, if Weebit Nano signs additional commercial deals, as discussed below, income from license fees will likely accelerate.

Additional license fees expected in next 12 months

More commercial deals expected before end of 2024

In our interview with Weebit Nano CEO Coby Hanoch, recorded on 28 August 2024, he indicated that the company is flat out working on more than a dozen potential commercial deals. The company is talking to a range of different companies, including IDM's, foundries and product companies.

WATCH THE ENTIRE INTERVIEW HERE



Mr. Hanoch also indicated he expects to convert at least one or two of those prospects into customers before the end of 2024, i.e. within the next 4 months.

Still a lot to look forward to in 2024

In its FY24 Annual Report, Weebit Nano also gave an indication of what it still expects to achieve in the current calendar year, i.e. in the next 4 months (Figure 1). In addition to new commercial deals, the company is expecting to

A lot of activity in the next 4 months



hit a number of Research & Development targets as well as technical progress with existing customers and partners, e.g. tech transfers, qualifications and testing. In our view, most of these targets are key share price catalysts, which bodes well for shareholders in the near term.

Figure 1: Weebit Nano activity in remainder of 2024



Source: Weebit Nano

ReRAM gaining momentum globally

In comparison with just 12 months ago, we are noticing a clear acceleration in the adoption of ReRAM. The best illustration of this is the way TSMC, the world's largest semiconductor foundry, has been shifting away from MRAM (Magnetoresistive random-access memory) towards ReRAM.

In large part, this is being driven by end customers (product companies) that are very reluctant to use MRAM in their products because it uses magnetic



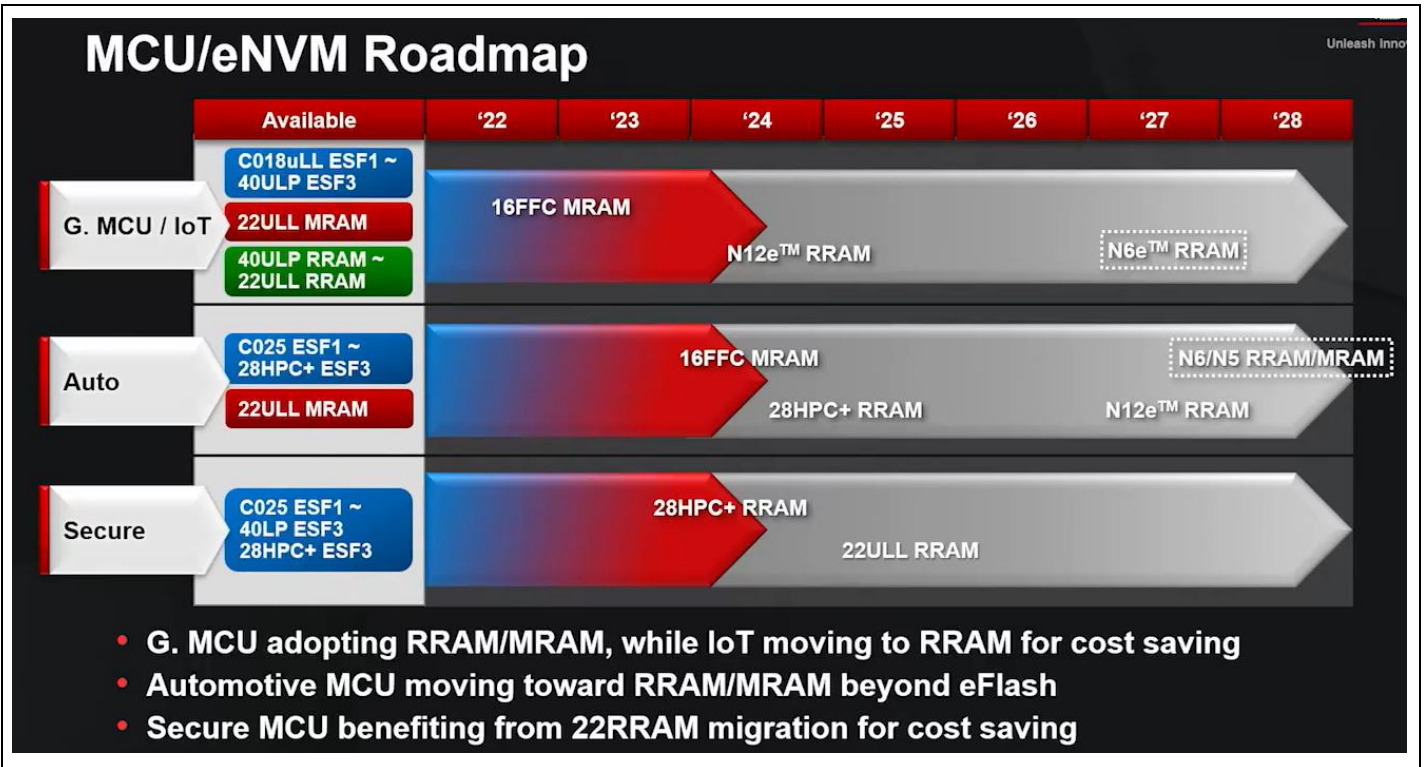
storage elements that can produce errors when exposed to magnetic fields that are all around us. Examples include permanent magnets in electric motors and speakers as well as doorbells, buzzers, generators etc.

TSMC pivoting to ReRAM

ReRAM doesn't suffer from this weakness, which makes it more suitable for many different applications.

TSMC's development roadmap for Non-Volatile Memory (NVM) (Figure 2) has now pivoted to ReRAM with MRAM seemingly being phased out from 2024 onwards. We believe this is a major validation for Weebit Nano's business case, and consequently, the company's investment case given that it is one of just 3 providers of ReRAM globally.

Figure 2: TSMC Non-Volatile Memory Roadmap



Source: TSMC

Cash position provides substantial runway

At the time of the publication of its Appendix 4C late July 2024, Weebit Nano had already indicated a year-end cash position of nearly A\$63m, which was better than we were anticipating.

More than 2 years of runway

This cash position provides the company with more than two years of runway at the current cash burn of approximately A\$25m per year. Additionally, it also give the company flexibility should it need to speed up certain projects/commercial efforts with selected potential customers.



Reiterating valuation at A\$9.56 per share

We reiterate our valuation for Weebit Nano of A\$9.56 per share, which we outlined in our [June 2023 report](#). There are multiple catalysts that could drive Weebit Nano's share price higher in the next 12 months:

- Additional commercial agreements and/or collaborations with large foundries, IDM's and product companies.
- First commercial customers and revenues for the SkyWater S130 process.
- Progress towards qualification with DB HiTek following the recent tape-out.
- Commercial progress with GlobalFoundries.

Key risks

- **Competition risk:** Alternative emerging memory technologies are being developed by Weebit's competitors. These technologies could potentially be superior in nature and/or could be commercialised sooner than Weebit's technology, which could inhibit the company's future growth.
- **Funding risk:** Although Weebit now seems adequately funded for the medium term, the company may need to raise further capital in the medium to longer-term. That may be required, for instance, if development programmes and technology transfers/qualifications take longer than currently anticipated or multiple growth opportunities arise, resulting in dilution for existing shareholders.
- **Macroeconomic and geopolitical risks:** The semiconductor industry is quite vulnerable to macroeconomic and geopolitical risks – in particular, downturns in the global economy and tensions between China and the West. The prices of semiconductor stocks can fluctuate substantially in response to mere media reports of deteriorating conditions.
- **Operational risks:** Weebit's success is assumed on its ability to successfully produce and market the ReRAM technology. A failure in either regard for whatever reasons, such as supply chain issues or departure of key personnel, may lead to a deterioration in investor sentiment.
- **Investment risks:** Since the stock's inclusion into the ASX300 and ASX200 indices in 2023, we have seen short sellers come into the stock. This has had a substantial negative effect on the share price. Additional short selling may push the share price down further.

Appendix – Analyst certification

Marc Kennis has been an equities analyst since 1996.

- Marc obtained an MSc in Economics from Tilburg University, Netherlands, in 1996 and a postgraduate degree in investment analysis in 2001.
- Since 1996, he has worked for various brokers and banks in the Netherlands, including ING and Rabobank, where his focus has been on the technology sector, including the semiconductor sector.
- After moving to Sydney in 2014, he worked for several Sydney-based brokers before setting up TMT Analytics Pty Ltd, an issuer-sponsored equity research firm.
- In July 2016, with Stuart Roberts, Marc co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including technology companies.

Nick Sundich is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.

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